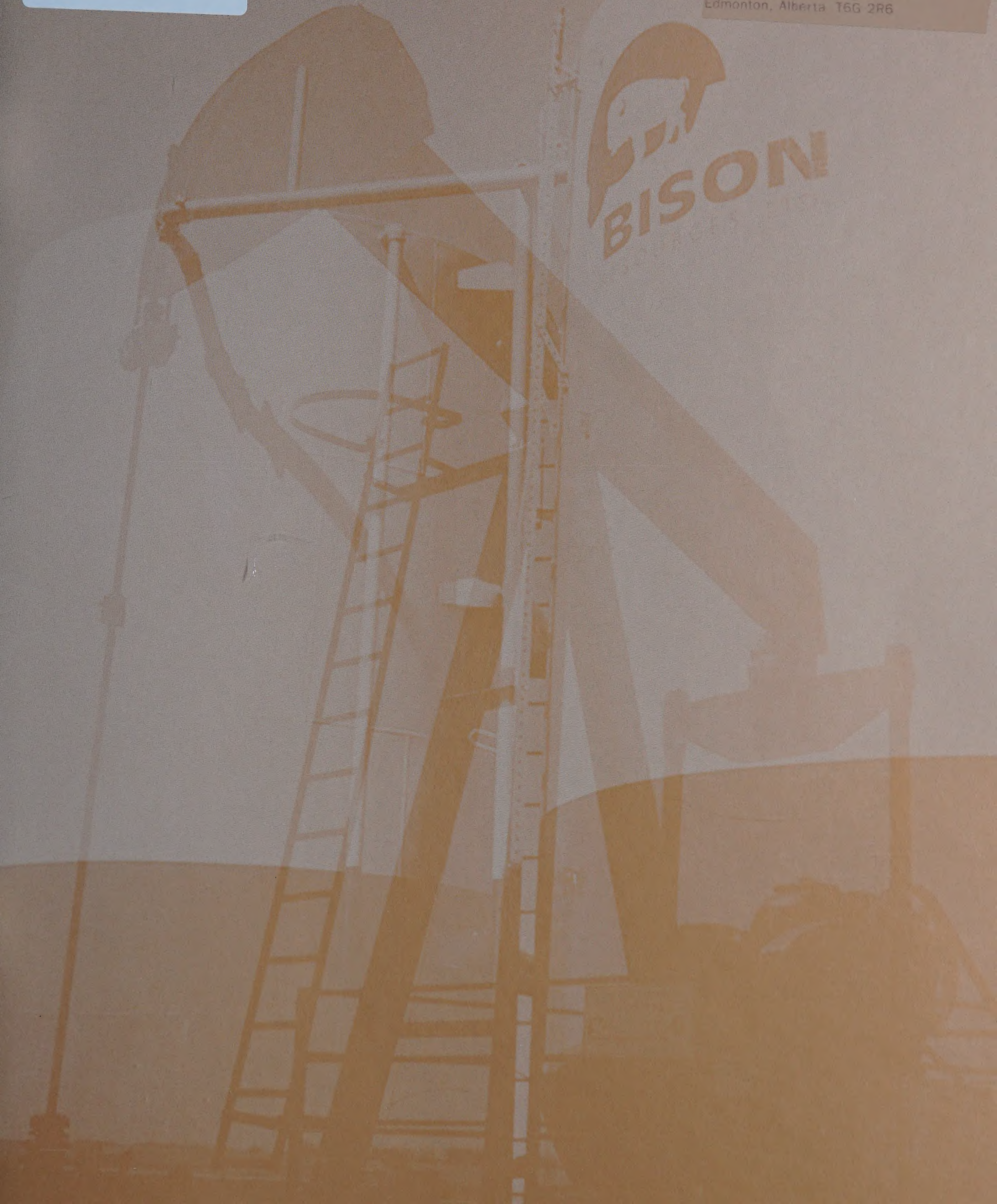
BISON RESOURCES LTD.

ANNUAL REPORT 2001



➤ **Bison Resources Ltd.** has become an established junior oil exploration and production company operating in Western Canada, primarily in Southeast Saskatchewan. Bison's success is the direct result of a full cycle investment of time and finances from play generation through to drilling and then production. The corporate business strategy remains one of maintaining a high degree of control of our properties and striving to minimize finding and operating costs.

ABBREVIATIONS

ARTC	Alberta Royalty Tax Credit
BBL	Barrel
BOE	Barrel of oil equivalent (6 mcf of natural gas = 1 bbl of oil)
BOEPD	Barrels of oil equivalent per day
BOPD	Barrels of oil per day
CDE	Canadian development expense
CEE	Canadian exploration expense
EBITDA	Earnings before interest, income taxes, and depreciation, depletion and amortization
MCF	Thousand cubic feet
MCFPD	Thousand cubic feet per day
NGL	Natural gas liquids

BISON
RESOURCES LTD.

The Annual General Meeting of shareholders of Bison Resources Ltd. will be held at the Ramada Hotel, Lombardy Room, 708 – 8th Avenue SW, Calgary, Alberta on Friday June 21, 2002, at 11:00 a.m. (Calgary time). Shareholders are encouraged to attend and those unable to do so should complete the Form of Proxy and forward at their earliest convenience.

2001 HIGHLIGHTS

Production – oil & ngl		188,092 bbls
Production – gas		6,868 mcf
Reserves – oil & ngl		1,906,000 bbls
Reserves – gas		77,000 mcf
Undeveloped land		7,083 net acres
Average price per BOE	$	29.77
Net royalties per BOE	$	8.52
Operating costs per BOE	$	4.65
Netback per BOE	$	16.59
G & A expenses per BOE	$	3.42
Cash flow per BOE	$	12.49
Cash flow from operations	$	2,362,713
Cash flow per share	$	0.22
Net income	$	569,320
Net income per share	$	0.05
EBITDA	$	2,492,288
Capital expenditures	$	5,891,749
Total assets (net) at December 31, 2001	$	10,346,723
Bank debt at December 31, 2001	$	4,059,092
Shareholder's equity at December 31, 2001	$	3,394,833

REPORT TO SHAREHOLDERS

➤ **Bison is committed to long-term consistent shareholder growth through full cycle oil and gas exploration and production.**

Building upon the 100% drilling success of last year, Bison Resources Ltd. commenced 2001 with an expectation for a rewarding year of activity, but with an acceptance that there would be changes in the success with a change in the type of the plays being drilled. The corporate objective was to expand into new areas that could become core properties while continuing to develop the existing production base. Bison continues to maintain a high working interest in its properties and control over the timing of expenditures on exploration and development. Oil prices remained high during much of the year, however the drastic price drop in the last quarter worked directly against the greatest production gains experienced by the company, somewhat reducing Bison's record high cash flows.

During the year a total of sixteen wells were drilled by the company, yielding ten oil wells, two service wells and four dry and abandoned wells. The first two oil wells were drilled on a potentially new core property at Griffin and provided encouragement as both were completed as oil wells. Initial results from the wells were good enough to cause the company to drill a third well late in the third quarter. The last well encountered a thin porous zone and did not justify completion as an oil well, although the geological model for the pool suggests that a bona fide pool exists that should be further developed by drilling a horizontal well. Bison will evaluate the pool further in 2002 and potentially construct a process facility and seek a pipeline connection. The majority of the remaining oil wells, both vertical and horizontal, were drilled in Midale and Huntoon, Bison's developed properties. Huntoon was developed with three more vertical wells and one horizontal well, all targeting porous Frobisher Formation carbonate rocks, and the geological success has given rise to additional planned horizontal drilling. Process facilities at Huntoon will require some minor modification as additional wells are placed onstream. At Midale Bison drilled three vertical oil wells, one horizontal oil well and one disposal well. Production monitoring of existing wells indicates the possibility of adding more horizontal wells, and third party offset drilling has enhanced Bison's undeveloped acreage in the immediate area. Bison farmed out and participated in the drilling of a Frobisher Formation oilwell at Wilmar. The well currently produces into a single well battery and the company does not foresee any immediate expansion of the area by land purchases or drilling. The abandoned wells were drilled for new pools or pool extensions and the effect of the dry holes is not critical to the well being of the company.

With four years of consistent growth behind us, the staff at Bison Resources Ltd. is very encouraged and committed to the path which the company has chosen. Bison strives for long-term consistent shareholder growth through full cycle oil and gas exploration and production. I trust that Bison's shareholders will continue to support our efforts and look forward to our ongoing success.

N Swagor

Nicolas S. Swagor
President

BUSINESS AND EXPLORATION STRATEGY

➤ **Bison plans on focusing its efforts on more productive horizontal wells, drilling a higher impact deep play and potentially drilling for gas reserves that can be placed on stream with a steady production profile.**

In a capital intensive business such as energy development, the pace of growth is related to the amount of investment capital employed. In keeping with a philosophy of maintaining share structure and faced with undervalued common shares in the oil & gas equity markets, Bison's management has chosen to adopt a policy of steady definable growth. While the impact on the asset value and market share price is not instantaneously large, the benchmarks to evaluate the company are moving in a constantly positive direction.

With ongoing conflicts throughout the world there continues to be great fluctuation in oil pricing. Since Bison is in effect a "price taker" – being paid for its production based on the going world price – estimating future cashflows and available capital funds continues to be a challenge. To mitigate this problem Bison may choose to contract a portion of its oil production at a fixed price in the ensuing months.

Bison continues to expand upon its knowledge base with respect to play development in both its core areas and other project areas that the company deems prospective. Petroleum rights have been accumulated to augment existing land positions and provide future drilling opportunities, however the company chooses to keep land purchases to a minimum and convert undeveloped acreage to drilled and developed acreage as quickly as possible. Bison's management believes that an inventory of undeveloped land, while necessary to sustain growth, can be an unnecessary burden both financially and administratively unless it can be drilled upon in a timely fashion.

In 2002 Bison plans on focusing its efforts on more productive horizontal wells, drilling a higher impact deep play and potentially drilling for gas reserves that can be placed on stream with a steady production profile. In addition, the company is also evaluating an oil property as a potential waterflood project and expects to commence operations on the property in 2002. If successful, the waterflood project will provide very stable long-term production.

OPERATIONS

➤ The success enjoyed at Midale resulted in the construction of the Midale battery complete with an office and workshop and a connection to a sales pipeline.

In an effort to create a new core area, Bison began 2001 by drilling two wells at Griffin, Saskatchewan and completed both wells as oil producers. The company earned an interest in 640 acres of petroleum rights by drilling the wells and further acquired 80 acres at a crown land sale. The success in drilling helped Bison to develop additional drilling targets, but the topography of the land coupled with the unusually high rainfall in the early part of the year restricted access to much of the land base. Trying to proceed with development plans, Bison selected an accessible drillsite which would have pushed the limit of the pool but unfortunately the well encountered only a thin pay zone, one that would have had limited chance for commercial success so it was abandoned. To minimize risk the next well planned for the project will be a two leg horizontal capable of evaluating the structural configuration of the pool.

In the greater Huntoon area Bison drilled six wells, completing three vertical oil wells, one horizontal oil well and two dry holes. The Huntoon battery was originally designed with enough flexibility that additional production could be accommodated and three of the wells were pipelined to the facility. The fourth well could be added to the pipeline system but because it produces low water volumes the decision was made to continue trucking production to Bison's Midale facility.

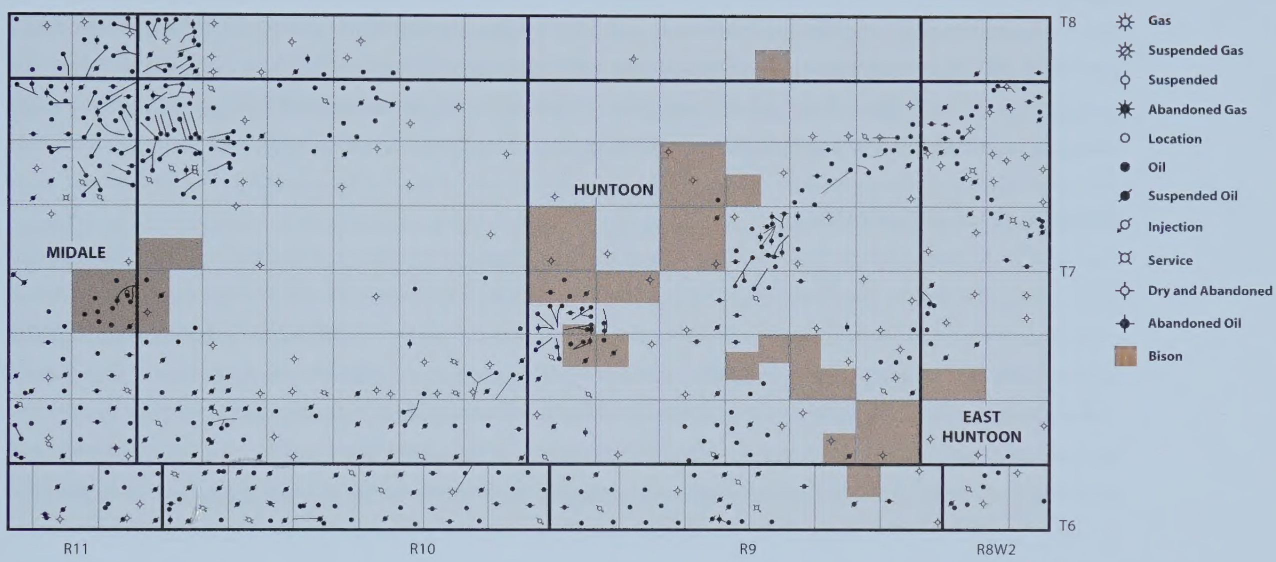
The success enjoyed at Midale resulted in the construction of the Midale battery complete with an office and workshop and a connection to a sales pipeline. The Midale battery serves as a focal point for all operations in the immediate area and acts as a shipping terminal for all of Bison's Huntoon, Griffin and Midale oil production. The operators of the sales pipeline have installed a remote monitoring system which will allow for a more efficient utilization of the sales line and Bison will have the opportunity to ship greater volumes as the company adds production. With respect to drilling, the company drilled three vertical oil wells, one horizontal oil well and one disposal well on the Midale property. Production monitoring of existing wells indicates the possibility of adding more horizontal wells, and third party offset drilling has enhanced Bison's undeveloped acreage in the immediate area.

At Wordsworth a stepout to the original discovery well was completed during the year. However, while the well encountered excellent reservoir rock in two zones, the low structural position of the formations resulted in high water volumes with small amounts of oil. Geological information gained alters the pool interpretation such that the drilled well has been kept as a potential water disposal well pending the drilling of two additional wells on company lands to confirm the existence of two separate pools.

At Wilmar the 1-36 well was drilled and completed as a Frobisher Formation oilwell. The well confirmed the geological hypothesis and will successfully drain attic oil, albeit at lower rates than Bison would have originally forecasted. Oil is produced into a single well battery and trucked to company owned facilities for sale.

PRINCIPAL PROPERTIES

➤ **During the first quarter of the year the Midale battery became fully functional complete with the connection to a sales line and the facility acts as a terminal for all company production within the greater area.**



HUNTOON, SASKATCHEWAN

The Huntoon area continues to provide Bison with growth opportunities as the company drilled six wells in the greater area over the past year. Of the four wells cased as oil wells, two vertical wells were completed in porous zones different than the commonly produced Frobisher Formation, and both wells create further offset drilling locations. Notably, the well drilled on 100% working interest lands north of the battery encountered 37 degree gravity oil in the Griffin Member and is completed in that zone. In addition, two porous zones stratigraphically higher in the wellbore have lead to the planning of a two leg horizontal well to further develop the pool. If warranted, a second horizontal well and a vertical well can be drilled on the same lands for Griffin Member production. This decision will be made after evaluating the first horizontal well. To the south of the battery, freehold mineral rights were obtained and the drilling of a vertical and horizontal well were both successful in oil production from the Frobisher Formation. Currently the wells are pipelined to the battery and producing at reduced rates to maintain lower water cuts, but the presence of high fluid volumes in the well bores makes it possible to maintain oil production by increasing total fluid production as the water to oil ratio increases. The Huntoon battery will be upgraded with a larger disposal pump to put away produced water as required. The two wells drilled as dry holes at Huntoon explored for a new pool and a pool extension. Both wells encountered thin oil pay zones that were determined to be uneconomical to complete. Bison maintains a 100% working interest in the Huntoon facility and production. During the year Bison held discussions with a third party pipeline company which was attempting to construct a line into the area to gather production. Plans to build the sales line were dropped when that company could not establish threshold volumes required to justify the line.

MIDALE, SASKATCHEWAN

The second most active area for the company was Midale where Bison drilled and completed three oil wells and one service well. During the first quarter of the year the Midale battery became fully functional complete with the connection to a sales line and the facility acts as a terminal for all company production within the greater area. The capability of the battery exceeds current levels of fluid treatment and allows for further expansion should that be necessary. The drilling of the two vertical wells added both production and the geological information to plan the horizontal well which was completed and produced at rates in excess of 260 BOPD. Production from the horizontal well has been restricted in keeping with Bison's production practice of maintaining lower water cuts and extending the life of the reservoir. Additional drilling targets have been identified for both vertical and horizontal wells which Bison expects to drill in 2002.

GRIFFIN, SASKATCHEWAN

Acquired as an exploration property, Griffin was initially evaluated in the first quarter by the drilling of two wells, one a stepout to the existing Griffin pool and the other an outpost well. Both wells were successful in encountering oil pay, with the outpost well offering the most promise as a new pool discovery. Unusually high rainfall in the early spring coupled with low lying topographic relief transformed much of the most attractive acreage into an ephemeral lake three feet deep. Bison waited as long as possible for the land to dry up, and eventually risked drilling a secondary location meant to stretch the limits of the new pool. The well did encounter minor amounts of pay in the Huntoon Member, however the economic decision was made to abandon the well rather than case a marginal producer. The information gained has allowed for a more detailed mapping of the prospect and established a plan for a two leg horizontal well that will confirm the structural configuration of the pool and potentially open up additional lands for development. Bison added to its land base by buying an additional 80 acres of petroleum rights at a crown sale. Further drilling of the play is expected for mid 2002 and decisions as to facilities construction will be made thereafter.

WORDSWORTH, SASKATCHEWAN

Production at Wordsworth is obtained from one single well where Bison has a 60% working interest. An offset to the existing production was drilled in the second quarter and cased as a potential oil well. Structurally the new well encountered two zones lower than expected and testing yielded some oil along with excessive water. Given the new geological information the play has been remapped and it now looks as though there are two distinct pools separated by a structural low. Bison will retain the 1-8 well as a potential water disposal well and has now surveyed and constructed a new surface lease to drill the northern pool in early 2002. The pool will be developed cautiously and if warranted a production facility will be built to handle fluids.

HILLSDOWN, ALBERTA

Hillsdown remains the only gas producing property Bison has an interest in. The property is not considered core to the company but does represent Alberta production. Two wells continue to produce from the Viking Formation with net production to Bison of about 20 mcf per day. A third well on the property has tested gas from the Viking as well, but the operator has not yet tied it in for production.

EXPLORATORY LANDS

Unique to the development of southeast Saskatchewan, however, is the remarkable ability to drill virgin reservoirs virtually within existing pools.

Commitment to growth by the drill bit means that Bison will have to continue to create new exploration lands for evaluation throughout the year. Due to the development of southeast Saskatchewan much of the acreage that Bison can define as "exploratory" is in close proximity to existing producing fields. Unique to that area, however, is the remarkable ability to drill virgin reservoirs virtually within existing pools. As Bison grows and the amount of drilling increases, so does our knowledge base.

EAST HUNTOON

Bison has developed a small land base of 160 acres in the area east of our Huntoon core property. Scattered drilling and old wells provide many of the inspirations for mapping potential new pools. Bison has identified two potential new pools and will attempt to drill both plays in mid 2002. Prior to drilling additional land acquisitions will be made and control of the play established. The East Huntoon property fits nicely with the operational functionality of the company and may help to establish threshold limits of production needed to link up the existing Huntoon battery to a sales pipeline.

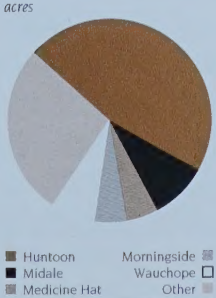
WAUCHOPE, SASKATCHEWAN

Timing and financing constraints did not allow for the evaluation of the Wauchope play in 2001, but the play remains an excellent exploratory objective and Bison will test for hydrocarbons in 2002. The company has not increased its land position on the play because it feels it has the critical acreage tied up, but there may be additional lands available and attractive once success in drilling has been achieved. If drilling at Wauchope is successful Bison will make every effort to speed up the development of the area during 2002.

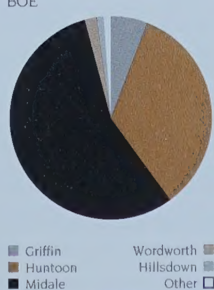
MORNINGSIDE, ALBERTA

Limited drilling by others has occurred in Morningside leaving Bison's geological interpretation of the area unchanged. As previously reported, Bison believes the prudent development approach for this property is to drill with partners, and a private group has been approached to join in the development of the property. Bison's position can be enhanced by farming out to that group while retaining a larger position after payout. Since the play is primarily a gas play, costs of development of the property have to include pipeline tie-in, compression and any third party processing. Bison has successfully negotiated lease extensions on a few parcels critical to the play and expects to drill during 2002.

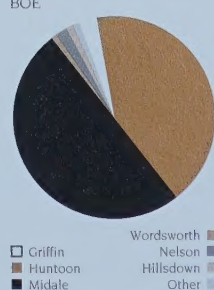
Land Holdings
acres



Oil & Natural Gas Production
BOE



Oil & Natural Gas Reserves
BOE



PRODUCTION AND RESERVES

➤ **Evaluation of Bison's interests in the Midale, Huntoon, Huntoon East, Griffin, Wordsworth and Wilmar areas in Saskatchewan and the Hillsdown area of Alberta.**

PRODUCTION

Area	Oil (bbls)	Natural Gas (mcf)	NGL (bbls)	BOE (bbls)	BOEPD (bbls)
Midale, Saskatchewan	107,694	–	–	107,694	295
Huntoon, Saskatchewan	64,772	–	–	64,772	177
Griffin, Saskatchewan	10,998	–	–	10,998	30
Wordsworth, Saskatchewan	3,696	–	–	3,696	10
Hillsdown, Alberta	–	6,868	216	1,361	4
Nelson, Alberta	415	–	–	415	1
Wilmar, Saskatchewan	301	–	–	301	1
Total	**187,876**	**6,868**	**216**	**189,237**	**518**

RESERVES

Bison 's oil and natural gas reserves have been reported as at January 1, 2002 by Martin Brusset Associates ("MBA"). MBA prepared an evaluation of the oil and natural gas reserves and the future cash flows attributable to Bison's interests in the Midale, Huntoon, East Huntoon, Griffin, Wordsworth and Wilmar areas in Saskatchewan and the Hillsdown area of Alberta.

In accordance with industry practice probable reserves and related present worth values have been reduced by 50% to incorporate an allowance for the risks and uncertainties associates with those reserves. It should be noted that the degree of uncertainty in an evaluation of oil and natural gas reserves varies according to the property. The average 50% risk applied may not represent the best estimate of risk for specific properties.

The estimated future net production revenues stated net of royalties, operating costs and future development costs and prior to any provision for income taxes, overhead and interest costs are as follows:

	Reserves		Discounted Value of Estimated Future Net Revenues		
	Oil & Ngl (bbls)	Natural Gas (mcf)	0%	10%	15%
Proved Producing	1,234,000	77,000	$ 14,792,000	$ 9,616,000	$ 8,369,000
Proved Non-Producing	84,000	–	$ 432,000	$ 189,000	$ 129,000
Probable (Risked)	589,000	–	$ 7,134,000	$ 3,282,000	$ 2,613,000
Total	**1,907,000**	**77,000**	**$ 22,358,000**	**$ 13,087,000**	**$ 11,111,000**

Reserve volumes are before the deduction of royalty interests. It should not be assumed that the discounted value of estimated future net production revenues is representative of the fair market value of the estimated oil and natural gas reserves. The price forecast used in the evaluation was based on MBA's interpretation of future oil and gas prices as appear likely from movements in world oil and gas prices. Oil prices for individual pools are based on published prices which vary with oil gravity and sulphur content. Future prices increase according to the reference price schedule, adjusted by the difference between the current price and the reference price. Gas prices were based on an assessment of likely prices for each major gas purchaser in Canada and vary with the cost of service.

MANAGEMENT DISCUSSION AND ANALYSIS

➤ Daily production for the year ended December 31, 2001 was 518 boepd as compared to 198 boepd for the year ended December 31, 2000.

Management's discussion and analysis is a review of the Corporation's financial condition and results of operations as compared to the previous year. Comments relate to and should be read in conjunction with the financial statements. The discussion is intended to provide both a historical and prospective analysis of the activities of the Corporation.

FINANCIAL HIGHLIGHTS

The following table sets forth certain financial information of the Corporation for the years ended December 31, 1998, 1999, 2000 and 2001.

Year ended December 31	1998	1999	2000	**2001**
Total revenue (net of royalties)	$ 667,589	$ 1,254,258	$ 2,224,198	**$ 4,020,056**
Cash flow from operations	$ 196,107	$ 310,149	$ 1,079,224	**$ 2,362,713**
Cash flow per share	$ 0.03	$ 0.04	$ 0.11	**$ 0.22**
Cash flow per share (fully diluted)	$ 0.03	$ 0.04	$ 0.11	**$ 0.21**
Earnings before interest, income taxes, depreciation, depletion and amortization	$ 202,067	$ 335,996	$ 1,104,666	**$ 2,492,288**
Net income (loss)	$ (198,936)	$ (63,856)	$ 309,986	**$ 569,320**
Net income (loss) per share	$ (0.03)	$ (0.01)	$ 0.03	**$ 0.05**
Net income (loss) per share (fully diluted)	$ (0.03)	$ (0.01)	$ 0.03	**$ 0.05**
Total assets	$ 1,862,642	$ 3,321,787	$ 5,753,129	**$ 10,346,723**
Bank debt	$ 231,000	$ 284,000	$ 1,172,650	**$ 4,059,092**
Shareholder's equity	$ 1,407,988	$ 1,915,154	$ 2,528,897	**$ 3,394,833**
Shares outstanding	7,765,000	9,735,000	10,634,500	**11,381,000**
Shares outstanding (fully diluted)	8,340,000	10,584,500	11,608,000	**12,464,500**

REVENUE

Bison's average daily production for the year ended December 31, 2001 was 518 boepd (comprised of 515 bpd of crude oil and ngl and 19 mcfd of natural gas) as compared to 198 boepd (comprised of 175 bpd of crude oil and ngl and 135 mcfd of natural gas) for the year ended December 31, 2000; an increase of 320 boepd in Bison's average daily production. This increase is attributable to new production from eight new oil wells drilled during the second half of 2000 and ten new oil wells drilled during 2001.

Production revenues, net of royalties, for the year ended December 31, 2001 were $4,020,056 compared to $2,224,198 for the year ended December 31, 2000. This increase in production revenues was the result of the increase of 343 boepd in Bison's average daily production rate. For the year ended December 31, 2001 Bison realized an average price of $29.55 per bbl for crude oil and ngl and $6.21 per mcf for natural gas compared to an average price of $40.52 per bbl for crude oil and ngl and $4.63 per mcf for natural gas for the year ended December 31, 2000. For the year ended December 31, 2001 crude oil sales of $5,558,380 accounted for 99% while natural gas sales of $42,644 accounted for 1% of the total revenue compared to crude oil sales of $2,593,799 (92%) and natural gas sales of $228,288 (8%) for the year ended December 31, 2000.

ROYALTIES

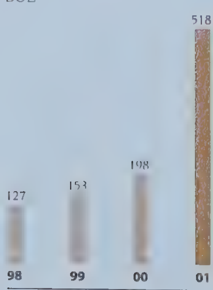
Royalties include payments made to the provinces of Alberta and Saskatchewan (crown royalties), freehold owners and other third parties. Royalties (net of ARTC) paid during the year ended December 31, 2001 totaled $1,612,724 (29% of total revenue or $8.52 per boe) compared to $598,243 (21% of total revenue or $8.68 per boe) for the year ended December 31, 2000. The province of Saskatchewan provides royalty rate reduction incentives for initial volumes produced from new oil wells. Increases in crown royalties were the result of increased royalty rates as the initial threshold volumes on new wells was reached. The increase in royalties was also the result of new production from freehold lands with no royalty rate reduction incentives.

PRODUCTION AND GENERAL & ADMINISTRATIVE EXPENSES

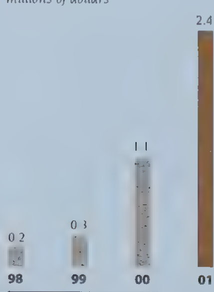
Production expenses increased from $620,983 ($9.28 per boe) for the year ended December 31, 2000 to $880,239 ($4.65 per boe) for the year ended December 31, 2001. These expenses increased as a result of increased production from the eighteen new oil wells and a workover of three oil wells. Production expenses on a per boe basis decreased from $9.28 per boe for the year ended December 31, 2000 to $4.65 per boe for the year ended December 31, 2001 due to lower water production from the new wells as well as the construction of Bison owned battery facilities in the second half of 2000 and first quarter of 2001.

General and administrative expenses increased to $647,529 ($3.42 per boe) for the year ended December 31, 2001 from $498,549 ($7.23 per boe) for the year ended December 31, 2000. The increase of $148,980 was mainly due to a $69,303 increase in salaries, management fees and payroll taxes, an $11,140 increase in health care benefits, a $14,374 increase in insurance premiums, a $28,133 increase in legal fees, a $22,844 increase in office rent, a $10,140 increase in bank and finance charges and a $6,576 increase in business taxes. Payments to the federal government associated with flow-through share renounciations decreased by $19,757. Interest on bank debt increased to $129,575 for the year ended December 31, 2001 from $25,442 for the year ended December 31, 2000. This increase in interest was the result of an increase of $2,886,442 in bank debt.

Oil & Natural Gas Daily Production
BOE



Cash Flow From Operations
millions of dollars



Net Income (Loss)
thousands of dollars

DEPRECIATION, DEPLETION AND AMORTIZATION

The provision for depreciation, depletion and amortization of property and equipment, including a provision for future abandonment costs increased to $1,425,871 for the year ended December 31, 2001 from $550,614 for the year ended December 31, 2000. This increase was a result of the higher production rates.

INCOME TAXES

For the year ended December 31, 2001 Bison recorded an income tax expense of $367,522 compared to an income tax expense of $218,624 for the year ended December 31, 2000. Bison's future income tax liability increased from $1,034,117 as of December 31, 2000 to $1,600,178 as of December 31, 2001. Bison also increased its income tax provision of its shareholder's equity from $1,074,548 as of December 31, 2000 to $1,273,087 as of December 31, 2001 as a result of the flow-through share offering made during the year.

EARNINGS

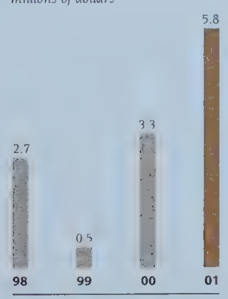
Cash flow from operations for the year ended December 31, 2001 increased to $2,362,713 ($0.22 per share or $12.49 per boe) compared to $1,097,224 ($0.11 per share or $15.65 per boe) the year ended December 31, 2000. Earnings before interest, taxes, depreciation, depletion and amortization (EBITDA) during the year ended December 31, 2001 increased to $2,492,288 from $1,104,666 for the year ended December 31, 2000. Net income for the year ended December 31, 2001 increased to $569,320 ($0.05 per share) from $309,986 ($0.03 per share) for the year ended December 31, 2000.

NETBACKS

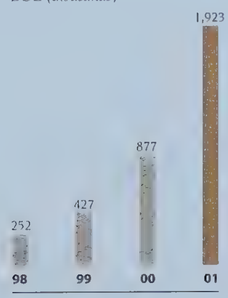
The following table sets forth the Corporation's production netbacks for the year ended December 31, 2001.

		Crude Oil ($ per bbl)		Natural Gas ($ per mcf)		Total ($ per boe)
Revenue	$	29.55	$	6.21	$	29.77
Royalties, net	$	(8.52)	$	(1.37)	$	(8.52)
Lease operating expenses	$	(4.64)	$	(1.02)	$	(2.65)
Netback	$	16.38	$	3.82	$	16.59

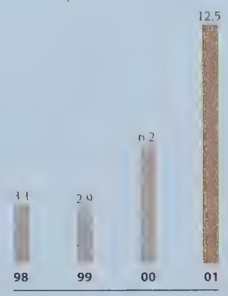
Capital Expenditures
millions of dollars



Oil & Natural Gas Reserves
BOE (*thousands*)



Market Capitalization
millions of dollars



RATIOS

The following table sets forth selected ratio's for the years ended December 31, 1998, 1999, 2000 and 2001.

Year ended December 31	1998	1999	2000	**2001**
Recycle ratio	0.07	0.61	0.33	**0.40**
Reserve life index – years	0.35	2.45	6.62	**7.49**
Reserve replacement ratio	3.61	0.84	8.54	**6.54**
Yearly finding and development costs (per boe)	$ 9.06	$ 2.20	$ 6.28	**$ 4.75**
Finding and development costs to date (per boe)	$ 9.06	$ 6.06	$ 6.17	**$ 5.40**

LIQUIDITY AND CAPITAL RESOURCES

Capital expenditures on exploration, development and operating activities precede the resulting production and cash flow, often for a significant period. Continued growth and the ability to capitalize on opportunities as they arise requires capital resources in excess of funds generated through operating activities. Historically, Bison's primary sources of financing have been private placements of equity securities, funds from operations and bank indebtedness. In keeping with a philosophy of maintaining corporate structure and faced with undervalued common shares in the oil & gas equity markets, Bison has chosen to minimize its equity offerings to date. Bison's strategy is to fund future exploration and development expenditures and acquisitions from cash flow from operations together with the proceeds of limited equity offerings and available debt facilities. Management of Bison believes that funds from these sources will be adequate to meet Bison's near-term liquidity needs.

During 2001 Bison issued a total of 746,500 common shares, raising at total of $496,850 less share issuance costs of $1,695 for net proceeds of $495,155. Bison issued 496,500 of the total common shares by way of flow-through share offerings whereby the $446,850 raised is required to be spent on qualified CDE and CDD expenditures allowing for the tax benefits of those expenditures to "flow through" to the shareholder. In addition, 250,000 director's stock options were exercised for total proceeds of $50,000. Bison used these funds along with cash flow from operations and its revolving line of credit to finance net capital expenditures of $5,891,749 in 2001. The balance of Bison's revolving line of credit was $4,059,092 at December 31, 2001.

Effective for the fiscal period commencing January 1, 2002, the Canadian Institute of Chartered Accountants has amended Canadian Generally Accepted Accounting Principles to require all borrowings, where the lender has a right to demand repayment within 12 months (other than in the event of default or breach of covenants) or where the lender has the right to refuse to roll-over the borrowing for a further lending period longer than 12 months, to be classified as current liabilities. The impact of this change in Canadian GAAP will be to increase current liabilities by any such borrowings in place. Bison has chosen to adopt the requirement effective December 31, 2001.

MANAGEMENT'S REPORT

Management is responsible for the preparation of the financial statements and for the consistency therewith of all other financial and operating data presented in this annual report.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information.

External auditors, appointed by the shareholders, have examined the financial statements. The Audit Committee has reviewed the financial statements with management and the auditors and has reported to the Board of Directors. The Board has approved the financial statements.

N Swagor

Nicolas S. Swagor
President

Kevin D. Dumba
Vice President Finance

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of Bison Resources Ltd. as at December 31, 2001 and 2000 and the statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada
March 29, 2002

BALANCE SHEETS

December 31, 2001 and 2000	2001	2000
Assets		
Current assets:		
Accounts receivable	**$ 562,901**	$ 522,680
Prepaids and deposits	**49,660**	18,865
	612,561	541,545
Capital assets (note 2)	**9,734,162**	5,211,584
	$ 10,346,723	$ 5,753,129
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 1,186,020**	$ 967,565
Bank indebtedness (note 3)	**4,059,092**	1,172,650
	5,245,112	2,140,215
Provision for future site restoration costs	**106,600**	49,900
Future income tax liability (note 6)	**1,600,178**	1,034,117
Shareholders' equity:		
Share capital (note 4)	**2,611,168**	2,314,552
Retained earnings	**783,665**	214,345
	3,394,833	2,528,897
Commitments (note 8)		
	$ 10,346,723	$ 5,753,129

See accompanying notes to financial statements.

On behalf of the Board:

Director *Director*

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

Years ended December 31, 2001 and 2000	2001	2000
Revenue:		
Oil and gas revenues	**$ 5,601,024**	$ 2,822,087
Royalties	**(1,612,724)**	(598,243)
Interest	**31,756**	354
	4,020,056	2,224,198
Expenses:		
Production	**880,239**	620,983
Depreciation, depletion and amortization	**1,425,871**	550,614
General and administration	**647,529**	498,549
Interest on bank debt	**129,575**	25,442
	3,083,214	1,695,588
Net income before taxes	**936,842**	528,610
Future income tax expense (note 6)	**367,522**	218,624
Net income for the year	**569,320**	309,986
Retained earnings (deficit), beginning of year	**214,345**	(95,641)
Retained earnings, end of year	**$ 783,665**	$ 214,345
Net income per share:		
Basic	**$ 0.05**	$ 0.03
Diluted	**$ 0.05**	$ 0.03

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2001 and 2000	2001	2000
Cash provided by (used in):		
Operations:		
Net income	$ 569,320	$ 309,986
Deduct non-cash items:		
Depletion, depreciation and amortization	1,425,871	550,614
Future income tax expense	367,522	218,624
Funds from operations	2,362,713	1,079,224
Change in non-cash operating working capital	(39,724)	(197,884)
	2,322,989	881,340
Financing:		
Proceeds on bank debt	2,886,442	888,650
Issue of share capital	496,850	509,800
Share issue costs	(1,695)	(9,644)
	3,381,597	1,388,806
Investments:		
Additions to capital assets	(5,891,749)	(3,313,256)
Change in non-cash working capital	187,163	380,913
	(5,704,586)	(2,932,343)
Increase (decrease) in cash	–	(662,197)
Cash, beginning of year	–	662,197
Cash, end of year	$ –	$ –
Funds from operations per share:		
Basic	$ 0.22	$ 0.11
Diluted	$ 0.21	$ 0.11
Supplementary disclosure of cash paid for:		
Interest	$ 129,575	$ 25,442

Cash is comprised of cash and short-term deposits.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2001 and 2000

INCORPORATION AND BASIS OF PRESENTATION:

Bison Resources Ltd. (the "Corporation") was incorporated under the Business Corporations Act (Alberta) on May 7, 1997.

1. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with accounting principles generally accepted in Canada. Significant accounting policies are summarized below:

(a) Capital assets:

The Corporation follows the full cost method of accounting for oil and gas operations, whereby all costs of exploring for and developing oil and gas properties and related reserves are capitalized by cost centre. Such costs include land acquisition costs, cost of drilling both productive and non- productive wells, and geological and geophysical expenses and related overhead.

Capitalized costs, excluding costs relating to unproven properties, are depleted using the unit-of-production method based on estimated proven reserves of oil and gas before royalties as determined by independent petroleum engineers. For purposes of the depletion calculation, natural gas reserves and production are converted to equivalent volumes of crude oil based on the relative energy content.

The Corporation applies a "ceiling test" to capitalized costs to ensure that such costs do not exceed future net revenues from estimated production of proven reserves, using prices and costs in effect at the Corporation's year end, and the costs of unproven properties less impairment. Future net revenues are undiscounted and are calculated after deducting general and administrative costs, financing costs, income taxes and site restoration and abandonment costs.

Proceeds from the sale of petroleum and natural gas interests are applied against capitalized costs with no gain or loss recognized unless such a sale would significantly alter the rate of depletion and depreciation.

Depreciation of furniture, office equipment and vehicles will be provided using the straight-line method based upon estimated useful lives at rates of 15% to 30%.

(b) Interest in joint ventures:

A portion of the Corporation's oil and gas exploration and development activities are conducted jointly with others and, accordingly, the financial statements reflect only the Corporation's proportionate interest in such activities.

(c) Future site restoration and abandonment costs:

Site restoration and abandonment costs are provided for over the life of the estimated proven reserves on a unit-of-production basis. Costs are estimated each year by management in consultation with the Corporation's engineers based on current regulations, costs, technology and industry standards. The period charge is expensed and actual site restoration and abandonment expenditures are charged to the accumulated provision account as incurred.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(d) Measurement uncertainty:

The amounts recorded for depletion, depreciation and amortization of petroleum and natural gas properties and equipment and the provision for future site restoration and abandonment costs are based on estimates. The ceiling test is based on estimates of proved reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

(e) Per share amounts:

The Corporation uses the treasury-stock method to determine the dilutive effect of stock options to other dilutive instruments. Under the treasury stock method, only "in the money" dilutive instruments impact the fully diluted calculations. In computing diluted earnings and cash flow from operations per share, 563,657 net shares were added to the weighted average number of common shares outstanding during the year ended December 31, 2001 (2000 – 50,691 net shares) for the dilutive effect of employee stock options.

(f) Flow-through shares:

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Share capital is reduced and the future income tax liability is increased by the estimated cost of the renounced tax deductions.

(g) Stock-based compensation plan:

The Corporation has a stock-based compensation plan, which is described in note 4. No compensation expense is recognized for these plans when stock options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital. The Corporation does not purchase stock or stock options from employees as part of its stock-based compensation plan.

(h) Financial instruments:

The Corporation uses derivative financial instruments from time to time to hedge its exposure to fluctuations in oil and natural gas prices. Gains or losses from these activities are reported as adjustments to the related revenue or expense accounts when a gain or loss is realized.

(i) Income taxes:

The Corporation follows the liability method of tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

2. CAPITAL ASSETS:

2001	Cost	Accumulated depreciation	Net book value
Petroleum and natural gas properties and equipment	$ 12,361,062	$ 2,680,100	$ 9,680,962
Other equipment	88,511	35,311	53,200
	$ 12,449,573	$ 2,715,411	$ 9,734,162
2000			
Petroleum and natural gas properties and equipment	$ 6,487,078	$ 1,326,500	$ 5,160,578
Other equipment	70,746	19,740	51,006
	$ 6,557,824	$ 1,346,240	$ 5,211,584

The depletion calculation has excluded unproved properties of $519,831 (2000 – $599,681).

As at December 31, 2001, the estimated future site restoration costs to be accrued over the remaining proved reserves are $355,000 (2000 – $269,600).

BANK INDEBTEDNESS:

The bank debt is comprised of a revolving reducing demand loan with an authorized borrowing base of $4,375,000, bearing interest at prime plus 3/4% per annum with interest payable monthly. The bank debt is secured by a general assignment of book debt, and a $15,000,000 demand debenture conveying a first floating charge over all assets. It is available in Canadian dollars, revolving in multiples of $25,000, reducing by $200,000 per month commencing January 28, 2002.

At December 31, 2001, the Corporation was in breach of a covenant in respect of this credit facility, which requires that the working capital ratio shall not be less than 1:1.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

4. SHARE CAPITAL:

(a) Authorized:

Unlimited number of common shares

(b) Common shares issued:

	Number of Shares	Amount
Balance, December 31, 1999	9,735,000	$ 2,010,795
Agents' options exercised	149,500	59,800
Private placement flow-through shares	750,000	450,000
Less tax effect of flow-through shares	–	(200,700)
Share issue costs, net of tax effect of $4,301	–	(5,343)
Balance, December 31, 2000	10,634,500	2,314,552
Director stock options exercised	250,000	50,000
Private placement flow-through shares	496,500	446,850
Less tax effect of flow through shares	–	(199,295)
Share issue costs, net of tax effect of $756	–	(939)
Balance, December 31, 2001	11,381,000	$ 2,611,168

(c) Outstanding options:

At December 31, 2001, the Corporation had a stock-based compensation plan. The Corporation's Stock Option Plan, as adopted by the Board of Directors, effective June 16, 1998, is described below:

Stock options to purchase common shares may be granted to the directors, officers, employees, key personnel (including consultants) of the Corporation by the Board of Directors of the Corporation.

The maximum number of stock options which may be granted or shares reserved for issuance under the stock option plan shall be limited to a floating amount, being that number of common shares which is equal to 10% of the number of common shares outstanding from time to time and the maximum number of stock options that may be issued to a particular person shall be limited to 5% of the number of common shares outstanding from time to time, provided that subsequent decreases in the number of outstanding shares shall not affect the validity of previously reserved or issued options.

The exercise price for the shares covered by each stock option shall not be lower than the closing price of the common shares on the CDNX on the date prior to the CDNX being notified of the proposed granting of the stock option (or the average price of the common shares for the last ten trading days prior to the CDNX being notified, if such average price exceeds the closing price by 10% or more), less the maximum discount permitted by the CDNX.

The stock options granted shall become exercisable (vested) either in yearly increments or immediately at the time of grant and shall expire on dates selected by the Board of Directors at the date of grant. Each stock option may be exercised, with respect to any of the shares covered thereby, at any time between the date on which it becomes exercisable and the end of the stock option's term.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

The optionees shall be protected in the event of any stock split, stock dividend or combination, or any other similar recapitalization or reclassification of the common shares affecting the proportionate rights of holders thereof without direct payment for shares. In any such case, the number of shares then subject to each stock option and the price to be paid therefore shall be so adjusted equitably so that the optionees' proportionate interest shall be maintained without change in aggregate option price. Appropriate provisions shall be made for protection of the optionees rights in event of any merger, consolidation or reorganization of the Corporation.

The Corporation shall enter into an agreement with each optionee specifying the number of shares under option to such optionee, the exercise dates and expiry dates. Any one director of the Corporation is authorized to execute, on behalf of the Corporation and under its corporate seal, each such agreement.

Subject to the receipt of any necessary approvals from the CDNX, the Board of Directors may amend or discontinue the Stock Option Plan at any time, but no such amendment may alter or impair any options previously granted except with the written consent of the holder of the option.

A summary of the status of the Corporation's Stock Option Plan as of December 31, 2001 and 2000, and changes during the years ending on those dates, is presented below:

		2001		**2000**
	Number of options	**Average exercise price**	Number of options	Average exercise price
Balance, beginning of year	**973,500**	**$ 0.27**	700,000	$ 0.28
Granted	**360,000**	**0.75**	273,500	0.26
Exercised	**(250,000)**	**0.20**	–	–
Canceled	–	–	–	–
Balance, end of year	**1,083,500**	**$ 0.45**	973,500	$ 0.27
Exercisable at year end	**1,083,500**	**$ 0.45**	973,500	$ 0.27

As of December 31, 2001, 275,000 stock options outstanding under the Corporation's Stock Option Plan have an exercise price of $0.20; 200,000 have an exercise price of $0.25; 73,500 have an exercise price of $0.30; 175,000 have an exercise price of $0.50; and the remaining 360,000 have an exercise price of $0.75. The 1,083,500 stock options have a weighted-average remaining contractual life of 3.0 years.

FINANCIAL INSTRUMENTS:

The Corporation's financial instruments consist of accounts receivable, prepaid expenses, accounts payable and bank debt. The fair value of these financial instruments approximate their carrying value. Accounts receivable include amounts receivable for natural gas and crude oil sales. These sales are generally made to large credit worthy purchasers. The Corporation views the credit risk on these accounts as normal for the industry.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

6. INCOME TAXES:

The provision for income taxes differs from the amount obtained by applying the combined Federal and Provincial income tax rate of 44.6% to income before income taxes. The difference relates to the following items:

	2001	2000
Statutory tax rate	**44.6%**	44.6%
Expected expense (recovery)	**$ 417,832**	$ 235,760
Non-deductible crown charges, net ARTC	**233,396**	115,726
Resource allowance	**(285,071)**	(133,598)
Other	**1,365**	736
	$ 367,522	$ 218,624

The components of the net future income tax liability at December 31, 2001 and 2000 are as follows:

	2001	2000
Future income tax assets:		
Share issue costs	**$ 33,325**	$ 56,911
Future site restoration	**35,658**	16,692
	68,983	73,603
Future income tax liabilities:		
Property, plant and equipment	**1,669,161**	1,107,720
Net future income tax liability	**$ 1,600,178**	$ 1,034,117

As at December 31, 2001, the Corporation has a commitment to renounce approximately $446,850 (2000 – $450,000) of income tax attributes associated with oil and gas exploratory and development activities.

7. RELATED PARTY TRANSACTIONS:

Included in accounts receivable is $695 (2000 – $608) due from companies controlled by officers and directors of the Corporation. Included in accounts payable is $30,442 (2000 – $100,609) due to companies controlled by an officer and director of the Corporation.

8. COMMITMENTS:

The Company is committed under an operating lease expiring December 31, 2005, for rent on its premises with annual minimum lease payments of $56,052. Under the terms of the lease, the Company is also required to pay a proportional amount of common area costs, which vary year to year.

➤ **Bison Resources Huntoon and Midale batteries located in southeastern Saskatchewan and adjacent field operations.**

CORPORATE INFORMATION

DIRECTORS

David G. Anderson [1]
President
Winsome Capital Inc.

Kevin D. Dumba [1]
Vice President Finance
Bison Resources Ltd.

R. Bradley Hurtubise [1]
Executive Vice President
BMO Nesbitt Burns

Nicolas S. Swagor
President
Bison Resources Ltd.

[1] Member of Audit Committee

OFFICERS AND KEY PERSONNEL

Nicolas S. Swagor
President

Kevin D. Dumba
Vice President Finance

Barrie Regan
Vice President Exploration

Leslie L. Wybert
Office Manager

Chris N. Pederson
Field Foreman

HEAD OFFICE

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Canada T2P 1G2
Telephone: (403) 265-5565
Facsimile: (403) 266-8886
www.bisonresources.com

SHARE CAPITAL

Authorized: Unlimited number of Class "A" Common Shares, and unlimited number of first and second preferred shares

Issued and outstanding: 11,381,000 (12,464,500 fully diluted)

STOCK EXCHANGE LISTING

The Canadian Venture Exchange
Symbol: BIS.A

MARKET INFORMATION

Common Share Price

High	$ 1.10
Low	$ 0.50
Close	$ 1.00

Common Shares Traded

First quarter	779,745
Second quarter	392,930
Third quarter	256,700
Fourth quarter	352,200
Year	1,782,575
Year-end shares outstanding	11,381,000
Weighted average shares outstanding	10,662,582

REGISTRAR AND LISTING AGENT

Computershare Trust Company of Canada
Calgary, Alberta

BANKING

National Bank of Canada
Calgary, Alberta

AUDITORS

KPMG LLP
Calgary, Alberta

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